

THE WABASH RECONSTRUCTION.

The 15th of next month is the day set for the sale under foreclosure of so much of the old Wabash Railway system as still remains in the hands of a receiver. The decree for the sale provides an upset price for some portions of the property which possibly may be bid, and the sale may, therefore, have to be postponed until the decree can be modified, by which it will eventually take place, so that the reconstruction of the company will be accomplished, on such terms, as is tolerably certain.

The interesting nature of the plan of reconstruction proposed in this case is the immense amount of road belonging to the original system which leaves out and abandons. Heretofore the reorganizations of bankrupt railroad corporations have consisted of nothing but the foreclosure of one of the mortgages upon its property, the purchase of that property by a committee of bondholders, and the formation of a new company to own and operate it. The only changes made have been in the forms and amounts of bonds and stock. But after the present Wabash reorganization shall have been completed, scarcely half of the old company's property will be embraced in it, and hardly a vestige will remain of the former mortgages upon its component parts. A clean sweep will be made of the ancient order of things, and an entirely new one will be substituted.

When the Wabash, St. Louis and Pacific Railroad Company went into bankruptcy in 1884, and Messrs. Humphreys and Tutti were appointed receivers for it, it was operating as owner and lessor 3,610 miles of railroad, of which 2,339 miles east of the Mississippi River and 121 miles west of it. Its capital stock was \$10,000,000 and its funded debt \$76,000,000. The receivers, being unable to earn money enough to pay all the interest and rentals which the company had undertaken to pay, were obliged to allow one piece of road after another to slip out of their hands into those of the owners and mortgagees, until on Jan. 1, 1887, they had 1,665 miles, and retained less than 2,000 miles. On April 1 of that year a new organization called the Wabash Western Railway Company was formed, which entered into possession of 7,54 miles of the road lying west of the Mississippi and 240 miles east of it. For the remaining 1,000 miles, more or less, west of the Mississippi, a new receiver, Gen. John McNulta, was appointed, and it is this 100 miles which is to be sold next month.

To begin with, therefore, 1,665 out of the 2,000 miles originally belonging to the Wabash have been bought off, as it were, and thrown aside. Of this 1,665 miles some portions have been sold to other railroad companies and some others have returned to their former owners.

For the Wabash system, as it existed in 1884, was a congeries of a multitude of separate lines, constructed at various times and by various companies, and many of which had already passed through half a dozen reconstructions. The excellent history of the Wabash, St. Louis and Pacific Railway Company contained in *Poor's Manual*, mentions forty-seven of these different lines, and gives the names of not less than twenty different companies out of which, by successive reorganizations, the Wabash, St. Louis and Pacific was formed. A man of its property resembled a rampant, overgrown vine, sprawling over the United States from North to South and East to West in a most ungainly fashion. It has now been pruned down into reasonable shape, and, let us hope, that the pruning may lead to making it a bearer of fruit profitable to its owners and its bondholders.

Getting rid of cumbersome and unproductive branches is, however, not the whole of the process involved in the pending reconstruction of the Wabash property. The debt upon it is to be simplified, and the burden of its interest payments lessened. The 2,000 miles of road or therabouts which is now proposed to bring under the management of a single company, composed of the Wabash Western of 1887 and the mortgage bondholders of the 1,000 miles now in charge of Receiver McNulta, are covered by a multitude of sectional mortgages, first, second, and third, for various amounts and bearing various rates of interest. In place of this miscellaneous collection of securities, the reconstruction plan offers one single first mortgage of \$34,000,000 at 5 percent, which will be paid off in 20 years, with a variable terminal premium, to replace the old first mortgages, and a \$14,000,000 second mortgage at the same rate, to provide for the remaining debt. The new mortgages covering the entire property of the new company at once, will furnish security as much better. It is thought, than the old separate mortgages upon separate sections, as a single large diamond is more valuable than a number of little ones of the same aggregate weight.

While the details and the merits of this particular reconstruction immediately concern only the security holders affected by it, yet its success, which may be assumed to be reasonably probable, will establish a precedent of great importance in determining the fate of other overgrown railroad corporations which are now in imminent danger of the bankruptcy which overtook the Wabash in 1884. The Atchison, Topeka and Santa Fe Railroad Company readily suggests itself as the most prominent of these, and as being likely very soon to require the same heroic treatment which has been applied to the Wabash. If it was found necessary to turn the Wabash system of uses and exactions, and to fuse its chaotic debt into one simple mass at a lower rate of interest, surely the Atchison should profit by the example without being subjected to the embarrassment, the expense, and all the other disadvantages which attend a receivership, and to which the Wabash has been subjected.

The recently published statement of the Atchison Company exhibits its condition as closely resembling that of the Wabash, save that its property and its liabilities are much larger. The Atchison owns and operates 3,100 miles of road, while the Wabash owned and operated only 3,610 miles. The Atchison had a bonded debt of \$140,000,000, and the Wabash had one of only \$75,000,000 per annum, while the roads of the Wabash were only a little more than \$45,000,000. Like the Wabash, the Atchison is burdened with hundreds of miles of road which do not earn sufficient to meet the obligations incurred for their construction or their acquisition, and which are not necessary to the successful operation of the main system. While it is not impossible that the company may be able to pare along and survive under its crushing load of debt and fixed charges, yet a disastrous accident seems extremely improbable, and the choice lies between submitting voluntarily to a reconstruction like that which the Wabash has been undergoing by process of law, or of repeating its experience in the courts.

The entanglements of the Atchison Company proceed, as did those of the Wabash, from the excessive charges it has incurred for branch and parallel lines and from the high rates of interest it is paying, appears very clearly from the fact that of the 6,530 miles of road it operates 3,500 miles earned during the first eleven months of 1888 only \$99,778 toward paying fixed charges upon them, for the same period amounting to \$3,699,226. Of these 3,500 miles 517 miles belong to the line connecting Chicago with Kansas City, but the remainder are either branches which, like the Gulf Colorado and Santa Fe, earn only a portion of these fixed charges, or like the two systems, barely cover their running expenses, or else they are parallel lines not essential to the system. How much of the other mileage concerning which no detailed reports are accessible to the public, is likewise unknown. It is of course impossible to say, but we may fairly infer that if the Wabash had come out with advantage, as it has, from 3,610 miles to about 2,000 miles, the Atchison could be benefited to something like the same extent by similar treatment. Its total fixed charges at the end of 1888 were estimated at \$10,018,555, while its net earnings for the year have since been reported at \$205,886, leaving a deficiency of \$3,522,672. It is hopeless to expect that the increase in net earnings for either this year or next year will

amount to this sum, and default upon some of the company's obligations may, therefore, be regarded as sure to come. The inevitable alternatives are therefore either a receivership or an amicable reconstruction on the lines of that which the Wabash system is undergoing. The crisis may be postponed some months yet, but nothing short of a miracle can avert it altogether. As soon as the approaching election of directors has taken place, I have no doubt the matter will be seriously considered by the new Board, and then I look to see some kind of an equitable reconstruction scheme proposed on the lines of that of the Wabash system.

MATTHEW MARSHALL.

MAPINE INTELLIGENCE.

MINIATURE ALMANAC—THIS DAY.
Sun rises... 5 11 Sun sets... 6 46 Moon rises... 1 19
High Water—THIS DAY.

Sandy Hook 12 22 Gov. Island 1 021 Bell Gate... 2 52

Arrived—Sunday April 21.
St. Pauline, Headwaters, New York.

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